



REDACTED FOR
PUBLIC DISCLOSURE

UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA

United States of America,
Plaintiff,

v.

1. Trudy M. Peters;
2. John Molina Soto;
3. Larry M. Smith;
4. Maria Alisia Felix; and
5. Tony Salazar Vasquez;

Defendants.

CR07 - 266 PHX - NVW
INDICTMENT (CPK)

VIO: 18 U.S.C 371
(Conspiracy)
Count 1

18 U.S.C. 1341
(Mail Fraud)
Counts 2 - 7

18 U.S.C 1343
(Wire Fraud)
Count 8

THE GRAND JURY CHARGES:

COUNT 1

I INTRODUCTION:

At all times material to this indictment:

1. The Department of Housing and Urban Development (HUD) was an agency of the United States which operated a residential mortgage loan insurance program. Under the program the Federal Housing Administration (FHA), an organization within HUD, insured home mortgages of individuals that qualified for participation in the program.

2. The FHA Pre-Foreclosure Sale program, allows a borrower in default of his mortgage payments to sell his or her home and use the sale proceeds to satisfy the mortgage debt even if the proceeds are less than the amount owed. This option is appropriate for borrowers

1 whose financial situation requires that they sell their home, but who are unable to sell the house
2 because the value of the property has declined to less than the amount owed on the mortgage.

3 3. The Pre-foreclosure Sale guidelines specify that the homeowner has to apply for
4 and be approved by the lender to participate in the program, that the borrower has to make a
5 commitment to actively market their property for a period of four to six months with a licensed
6 real estate broker, and that the borrower has to receive counseling from an approved HUD
7 certified counselor to provide options to the homeowner, other than the Pre-foreclosure Sale
8 program. In addition, the rules specify that not more than \$2,000 of the sales proceeds can be
9 applied toward a second mortgage or lien.

10 4. The rules also dictate that the lender is required to obtain a standard FHA appraisal
11 from an appraiser who does not share any interest with the mortgagor or mortgagor's agent.
12 Following the sale of the property to a third party, the mortgage company submits a claim to
13 HUD for the following costs: unpaid principal balance of the mortgage, interest (with
14 limitations), administrative costs, taxes, assessments, hazard insurance, amounts paid to release
15 or discharge liens, and cost of foreclosure action. HUD pays the lender's claim from the FHA
16 mortgage insurance fund.

17 5. Edward Carrillo, Jr. (hereafter Carrillo) was a real estate investor and operated a
18 business known as Sahara Investments, Scottsdale, AZ.

19 6. Defendant TRUDY M. PETERS (hereafter PETERS) was employed as an escrow
20 officer at American Title Insurance Agency of Arizona (hereafter American Title), later known
21 as Ticor Title Agency of Arizona.

22 7. Defendant JOHN MOLINA SOTO (hereafter SOTO) was employed as Service
23 Representative at Wells Fargo Home Mortgage (hereafter Wells Fargo), San Bernardino, CA.

24 8. Defendant LARRY M. SMITH (hereafter SMITH) was employed as Service
25 Representative at Wells Fargo, San Bernardino, CA.

26 9. Defendant MARIA ALISIA FELIX (hereafter FELIX) was employed as a housing
27 counselor at Acorn Housing, Phoenix, AZ, and also worked directly for Carrillo at Sahara
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1 Investments as a solicitor of potential foreclosure properties.

2 10. Defendant TONY SALAZAR VASQUEZ (hereafter VASQUEZ) was employed
3 as a housing counselor at Chicanos Por La Causa, Phoenix, AZ.

4 **II. The Conspiracy to Defraud the United States of America**

5 11. From a time unknown to the Grand Jury but at least as early as February 1, 2001
6 through July 2003, in the District of Arizona, Carrillo, along with defendants PETERS, SOTO,
7 SMITH, FELIX, and VASQUEZ did with persons both known and unknown to the grand jury,
8 conspire, confederate and agree together and with each other to commit an offense against the
9 United States of America, by submitting false documents to obtain benefits under the FHA Pre-
10 Foreclosure Sale program, and for the purposes of executing the scheme to defraud, knowingly
11 caused American Title Company to deliver by private or commercial interstate carrier, the
12 "payoff" checks and other documents to lenders and mortgage companies which serviced FHA
13 insured mortgages, in violation of 18 U.S.C. Section 1341; and knowingly caused to be
14 transmitted in interstate commerce by wire communications documents relating to the Pre-
15 Foreclosure Sale program in Arizona, in violation of 18 U.S.C. Section 1343.

16 **III. The Purpose of the Conspiracy**

17 12. The purpose of the defendants' conspiracy was as follows:

- 18 a. To purchase properties using the FHA Pre-foreclosure Sale program, at a reduced
19 price, using fraudulent documents.
- 20 b. To resell the properties for thousands of dollars more than the acquisition price.
- 21 c. To enable defendants SOTO, SMITH, VASQUEZ, PETERS, and FELIX to
22 receive money from Carrillo for assisting with the acquisition and sale of the properties.

23 **IV. Means and Methods of the Conspiracy**

24 13. It was part of the conspiracy that:

- 25 a. Carrillo, and his co-conspirators, searched for defaulted FHA-insured mortgages
26 through the Internet or through a paid service. Defendants SOTO and SMITH, as Wells Fargo
27 employees, also provided Carrillo with names and addresses from the Wells Fargo files of
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1 defaulted borrowers and their properties in Arizona.

2 b. Carrillo requested financial information as to the defaulted properties from defendant
3 PETERS as an American Title employee, after he identified the specific properties that were
4 eligible for the FHA Pre-foreclosure Sale program. Defendant PETERS provided Carrillo with
5 a preliminary title search to identify properties with possible equity, and determine if additional
6 mortgages or liens were present.

7 c. Carrillo, defendant FELIX, and other coconspirators, contacted homeowners, whose
8 mortgages were in default, and offered to purchase their properties through the FHA Pre-
9 foreclosure Sale program.

10 d. Carrillo, defendant VASQUEZ, and defendant FELIX, signed and copied false
11 counseling certification forms to show that the homeowners had received counseling from a
12 HUD approved counselor, which was a requirement of the FHA Pre-Foreclosure Sale program
13 Defendant VASQUEZ was a HUD approved counselor at Chicanos Por La Causa, but did not
14 provide counseling to the homeowners as reflected on housing counseling certification forms.
15 Defendant FELIX was also a HUD approved counselor at Acorn Housing, but did not provide
16 counseling to homeowners as reflected on housing counseling certification forms.

17 e. Defendant VASQUEZ negotiated with mortgage companies, in an effort to assist
18 Carrillo in the purchase of the properties. In doing so, VASQUEZ misrepresented himself as a
19 HUD employee to urge mortgage companies' approval of the properties sales. Defendant
20 VASQUEZ accepted commissions and fees in excess of \$70,000 from Carrillo for the false
21 counseling certification forms and participation in the conspiracy.

22 f. Defendant FELIX signed Warranty Deeds as the listed true buyer and seller of the
23 homes in order to conceal that Carrillo was the true purchaser and seller of the properties.
24 Defendant FELIX accepted commissions and fees in excess of \$102,000 from Carrillo for the
25 false counseling certification forms and participation in the conspiracy.

26 g. Carrillo hired two FHA approved appraisers to establish the legitimate market value
27 of the homes. The appraisals were subsequently altered or fraudulently created at Carrillo's
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1 direction to devalue the homes. The false appraisals were tele-faxed or mailed by Carrillo to
2 defendants, SOTO and SMITH at Wells Fargo. Wells Fargo as part of its ordinary business
3 practice ordered independent appraisals for the properties, aside from those submitted by
4 Carrillo. Defendants SOTO and SMITH, however, substituted the Carrillo provided appraisals,
5 in place of the independent appraisals in the Wells Fargo files. Defendant SOTO accepted in
6 excess of \$41,000, and defendant SMITH accepted in excess of \$30,000, from Carrillo for the
7 assistance that they provided to Carrillo.

8 h. Defendant PETERS created at Carrillo's direction, falsified HUD-1 Settlement
9 Statements on Carrillo purchased properties, which she knew failed to disclose that funds were
10 being used to pay for outstanding second and third mortgages or liens. PETERS knew that if
11 these payments to other mortgage companies had been disclosed, the properties would have been
12 deemed ineligible for the FHA Pre-foreclosure Sale program. Defendant PETERS accepted fees
13 in excess of \$23,000 from Carrillo for the creation of false HUD-1s and other services she
14 provided to Carrillo.

15 i. Defendant PETERS, as an employee of American Title, was responsible for printing
16 and forwarding to the Internal Revenue Service (IRS), 1099 Forms regarding the sales of the
17 Carrillo controlled properties, as required by IRS regulations and her employer. PETERS did
18 not prepare any 1099 Forms on for any Carrillo sales. This enabled Carrillo to avoid any tax
19 liability on these sales.

20 j. Using the FHA Pre-foreclosure Sale program, Carrillo purchased at least 65 properties
21 in his name, and other names under his control, using false documents. All of these properties
22 resulted in claims from the mortgage companies for losses under the FHA Pre-Foreclosure
23 program. All of these properties were re-sold by Carrillo to investors for substantial profits;
24 many of them on the same day Carrillo purchased the homes.

25 k. As a result of the scheme, the mortgage companies submitted claims for their losses
26 to FHA for the 65 properties. FHA paid \$1,878,163 in claims as a direct result of the fraudulent
27 scheme involving Carrillo and defendants SOTO, SMITH, VASQUEZ, PETERS, and FELIX.

1 **V. Overt Acts**

2 14. In furtherance of the above referenced conspiracy and to effect the objectives of
3 the conspiracy, the defendants and other persons did perform and cause to be performed the
4 following overt acts:

5 a. On or about May 20, 2003, defendant SOTO concealed that Wells Fargo received
6 an independent appraisal from First American Appraisal Service (hereafter First American)
7 regarding the property at 12202 W. Corrine Drive, El Mirage, AZ, and instead, substituted in
8 its place an appraisal provided by Carrillo. The First American appraisal reflected a market
9 value of \$125,000 for the property, while the appraisal provided by Carrillo showed a market
10 value of \$82,000.

11 b. On or about March 20, 2003, defendant SOTO concealed that Wells Fargo
12 received an independent appraisal from Allen Appraisals regarding the property at 1277 W.
13 Linda Lane, Chandler, AZ and instead, substituted in its place an appraisal provided by
14 Carrillo. The Allen Appraisal reflected a market value of \$135,000 for the property, while the
15 appraisal provided by Carrillo showed a market value of \$75,000.

16 c. On or about September 26, 2002, defendant VASQUEZ sent via fax
17 communication from Phoenix, AZ, to National City Mortgage Company, Dallas, TX, a
18 counseling certificate and certified appraisal both of which contained false information as to
19 the Carrillo property at 17807 N. 9th Ave, Phoenix, AZ.

20 d. On or about March 25, 2002, defendant PETERS printed and tele-faxed a copy
21 of a false HUD-1 Settlement Statement to Wells Fargo Home Mortgage for a Carrillo property
22 located at 10868 W. Devonshire Ave, Phoenix, AZ, which failed to disclose that a \$7,500
23 second loan was paid to Country Wide Home Loans at closing. Such a disclosure would have
24 made the property ineligible for the FHA Pre-Foreclosure Program.

25 e. On or about March 11, 2002, defendant PETERS printed and tele-faxed a copy
26 of a false HUD-1 Settlement Statement to Wells Fargo Home Mortgage for a Carrillo property
27 located at 4031 N. 80th Avenue, Phoenix, AZ, which failed to disclose that a \$1,500 lien was
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1 paid to Neighborhood Housing at closing.

2 f. On or about January 3, 2003, defendant FELIX signed a Warranty Deed
3 transferring the ownership of a Carrillo property, previously acquired by fraud, located at 1542
4 W. Carol Ave, Mesa, AZ, from defendant FELIX to a bona fide purchaser for value.

5 g. On or about July 17, 2003, defendant FELIX signed a Warranty Deed
6 transferring the ownership interest, of a Carrillo property, previously acquired by fraud, located
7 at 10938 E. Catalina Ave, Mesa, AZ, from defendant FELIX to another bona fide purchaser.

8 All in violation of Title 18, United States Code, Section 371.

9 **COUNT 2 - 7**

10 The Grand Jury realleges and incorporates by reference paragraphs 1 - 13 of the Indictment
11 and further alleges as follows:

12 On or about the dates set forth below, in the District of Arizona, defendants SOTO,
13 SMITH, PETERS, and FELIX, as listed below, for the purposes of executing the
14 aforementioned scheme to defraud, caused the item described below, to knowingly be delivered
15 by private or commercial interstate carrier, to the listed mortgage company which serviced the
16 FHA insured mortgage:

Count / Defendants	Date	Sender	Recipient	Carrier	Item Sent
2 PETERS SOTO	7/25/03	American Title, 7047 E. Greenway Parkway, Scottsdale, AZ	Wells Fargo 4680 Hallmark Pkwy San Bernadino, CA	FedEx	Letter addressed to SOTO at Wells Fargo with "payoff" check for \$101,250 for 10938 E. Catalina Ave, Mesa, AZ
3 PETERS SOTO	6/23/03	American Title, 7047 E. Greenway Parkway, Scottsdale, AZ	Wells Fargo 4680 Hallmark Pkwy San Bernadino, CA	FedEx	Letter addressed to SOTO at Wells Fargo with "payoff" check for \$42,000 for 1530 E. Sierra St, Phoenix, AZ
4 PETERS SMITH	6/5/02	American Title, 7047 E. Greenway Parkway, Scottsdale, AZ	Wells Fargo 4680 Hallmark Pkwy San Bernadino, CA	FedEx	Letter addressed to SMITH at Wells Fargo with "payoff" check for \$66,420 for 19830 N. 5 th Dr, Phoenix, AZ
5 PETERS SMITH	2/18/03	American Title, 7047 E. Greenway Parkway, Scottsdale, AZ	Wells Fargo 4680 Hallmark Pkwy San Bernadino, CA	FedEx	Letter addressed to SMITH at Wells Fargo with "payoff" check for \$63,960 for 2406 N. 88 th Ln, Phoenix, AZ

6	7/14/03	American Title, 7047 E. Greenway Parkway, Scottsdale, AZ	Wells Fargo 4680 Hallmark Pkwy San Bernadino, CA	FedEx	Settlement Statement with FELIX as the listed buyer for 3064 E. Millbrae Ln, Gilbert, AZ
PETERS FELIX					
7	7/14/03	American Title, 7047 E. Greenway Parkway, Scottsdale, AZ	Wells Fargo 4680 Hallmark Pkwy San Bernadino, CA	FedEx	Settlement Statement with FELIX as the listed buyer for 5119 W. Freeway, Glendale, AZ
PETERS FELIX					

All in violation of Title 18, United States Code, Section 1341.

COUNT 8

The Grand Jury realleges and incorporates by reference paragraphs 1 - 13 of the Indictment and further alleges as follows:

On or about September 26, 2002, in the District of Arizona, defendant VASQUEZ, for the purposes of executing the aforementioned scheme to defraud, knowingly caused to be transmitted in interstate commerce by wire communications documents to include, a housing counseling certification form, and a certified appraisal, from Phoenix, AZ to the National City Mortgage Company, Dallas, TX, for the property located at 17807 N. 9th Ave, Phoenix, AZ.

All in violation of Title 18, United States Code, Section 1343.

A TRUE BILL

S/
FOREPERSON OF THE GRAND JURY
Date: March 7, 2007

DANIEL G. KNAUSS
United States Attorney
District of Arizona

S/
RICHARD I. MESH
Assistant U.S. Attorney